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AGRICULTURAL SYSTEMS SUPPORT

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Agreement Between the
UNITED STATES OF AMERICA
and KENYA

Signed at Nairobi August 29, 1978

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KENYA

Agricultural Systems Support

Agreement signed at Nairobi August 29, 1978;
Entered into force August 29, 1978.

A.I.D. Project No. 615-0169

PROJECT AGREEMENT

Between The

REPUBLIC OF KENYA

And The

UNITED STATES OF AMERICA

Acting Through The

AGENCY FOR INTERNATIONAL DEVELOPMENT

AGRICULTURAL SYSTEMS SUPPORT PROJECT

DATE: August 29, 1978

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[1] Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

PROJECT AGREEMENT dated the 29th day of August, 1978 between the REPUBLIC OF KENYA ("the Government") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE 1

The Agreement

The purpose of this Agreement is to set forth the understandings of the parties named above ("Parties") with respect to their respective undertakings concerning the Project described herein, and with respect to the financing of the Project by the Parties.

ARTICLE 2

The Project

SECTION 2.1. Definition of Project. The Project will consist of five components designed to assist the Government to strengthen and support agricultural services available to the smallholder farmer in Kenya. These components are (1) Agricultural Manpower Systems Support - to increase the quantity and quality of trained agricultural manpower in Kenya through expansion of Egerton College; through study of possible expansion of the Faculty of Agriculture, University of Nairobi; through study of possible establishment of a Coastal Institute of Agriculture; and through a program of participant training; (2) Range Research System Support - to expand Kenya's existing range research program and to examine methods of improving utilization of range resources in Kenya; (3) Credit System Support - to examine and strengthen credit facilities available to the rural smallholder farmer; (4) Cooperative System Support - to examine existing selected support services offered to the smallholder through the cooperative system and to improve and expand such services by increasing the number of trained personnel; and (5) Storage and Marketing System Support - to examine crop storage systems and related institutions and to increase the number of personnel trained in storage and related operations.

SECTION 2.2. Amplified Project Description. The Project is more particularly described in Annex I hereto, which forms part of this Agreement. Within the limits of the definition of the Project in Section 2.1., elements of the Project description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2., without formal amendment of this Agreement.

SECTION 2.3. Incremental Nature of Project.

(a) It is anticipated that A.I.D.'s total contribution to the Project will be provided in annual increments (allocations), with the initial such contributions being those identified in Section 3.1 of this Agreement. Subsequent increments (allocations) will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed. It is further anticipated that (i) A.I.D.'s overall Loan contribution to the Project will total Twenty Three Million, Six Hundred Thousand United States Dollars ($23,600,000) and (ii) A.I.D.'s Grant contribution to the Project will total Twenty Six Million, One Hundred Eighteen Thousand United States Dollars ($26,118,000).

(b) Within the Project Assistance Completion Date as specified in Section 3.4 of this Agreement, A.I.D., based upon consultation with the Government, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted and/or loaned by A.I.D. under an individual increment of assistance.

ARTICLE 3

Financing

SECTION 3.1. The Loan, The Grant. To assist the Government to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] hereby agrees to lend the Government under the terms of this Agreement a sum not to exceed Twenty Million, Two Hundred Thousand United States Dollars ($20,200,000) ("Loan") and to grant the Government under the terms of this Agreement a sum not to exceed Three Million United States Dollars ($3,000,000) ("Grant"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan and the Grant together are referred to as the "Assistance.

The Assistance may be used to finance foreign exchange costs, as defined in Section 7.1., and local currency costs, as defined in Section 7.2., of goods and services required for the Project described in Article 2.

SECTION 3.2. Cooperating Country Resources for the Project.

(a) The Government agrees to provide or cause to be provided for the Project all funds, in addition to the Assistance, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Government for the Project will be not less than 25 percent of the total Project costs, including costs borne on an "in-kind" basis. The Government contribution to the

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

Project is currently estimated to be the Kenyan Shilling equivalent of Eighteen Million, One Hundred Sixteen Thousand, Seven Hundred United States Dollars ($18,116,700).

SECTION 3.3. Additional Financial Details. Annex 2 to this Agreement, which forms part hereof, provides (a) an allocation of each Party's contributions to the various components of the Project and (b) an identification, as to A.I.D.'s contribution, of the Loan and Grant allocatons. Category (a) may be revised from time to time by mutual agreement, to be reflected in Project Implementation Letters. It is not contemplated that category (b) will be revised at any time.

SECTION 3.4. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), is the day by which the Parties estimate that all services financed under the Assistance will have been performed and all goods financed under the Assistance will have been furnished for the Project as contemplated in this Agreement. The PACD for this Project is March 31, 1985, except as the Parties may otherwise agree.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Assistance for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than three (3) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Government, may at any time or times reduce the amount of the Assistance by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4

Loan Terms

SECTION 4.1. Interest. The Government will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum, on the disbursed balance of the Loan, for ten years following the date of the first disbursement of the Loan hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable no later than six (6) months after the first disbursement of the Loan hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Government will repay to A.I.D. the Principal within thirty (30) years from the date of the first disbursement of the Loan in forty-one (41) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Government with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Government may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

(a) The Government and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Kenya, which enables the Government to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1., and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1., the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under this Sub-section (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of the Government's Ministry of Finance and Planning in Kenya.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Government and A.I.D. relating to the Loan provisions of this Agreement will cease. Except as stated more specifically elsewhere in this Agreement, with respect to any obligations arising out of the expenditure of Grant funds, this Agreement will remain in full force and effect until the PACD has been reached.

ARTICLE 5

Conditions Precedent to Disbursement

SECTION 5.1. Initial Conditions - Disbursement for Certain Studies.

(a) Prior to any disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which any disbursement will be made, the Government will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) An opinion of the Attorney General that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Government and that it constitutes a valid and legally binding obligation of the Government in accordance with its terms.

(2) A statement of the name of the person holding or acting in the office of the Government specified in Section 9.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) Subject only to satisfaction of the requirements of Section 5.1.(a) above, the Assistance will be available to fund the following studies under direct A.I.D. contracts subject to procedures to be set forth in a Project Implementation Letter: (1) review of Kenya's farm level crop storage problems; (2) Cooperative Education Evaluation; (3) Cooperative Manpower and Training Study; and (4) Cooperative College Feasibility Study.

SECTION 5.2. Additional Condition - Government Contracts. Prior to any disbursement, or the issuance of any commitment document, for the purpose of financing under this Agreement any contract for technical, construction or other services to be entered into by the Government, A.I.D. will approve each such contract in writing. This requirement shall be satisfied separately for each such contract.

SECTION 5.3. Additional Condition - Agricultural Support Manpower Systems.

(a) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance the Agricultural Manpower Systems Support component of the Project, the Government will submit in form and substance satisfactory to A.I.D. plans indicating

what actions it will undertake, and pursuant to what schedule, with regard to the American Technical Assistance Corporation (ATAC) Report entitled "Professional and Subprofessional Agricultural Manpower in Kenya", specifically Section III, Manpower Utilization, and recommendations 1-26 contained therein.

(b) Following satisfaction of the Condition Precedent set forth immediately above, together with those contained in Section 5.1.(a) above, the Assistance will be available to fund the following studies under direct A.I.D. contracts subject to procedures to be set forth in Project Implementation Letters: (1) establishment and operation of a proposed Coast Institute of Agriculture and (2) expansion of the Faculty of Agriculture, University of Nairobi.

SECTION 5.4. Additional Conditions - Egerton College.

(a) Prior to any disbursement of the Assistance, or the issuance of any commitment documents under this Agreement, to finance either construction or technical assistance for Egerton College, the Government will furnish, in form and substance satisfactory to A.I.D., evidence that it will provide all requisite administrative, academic and maintenance staff for Egerton College, consistent with the detail provided in Annex 1 to this Agreement on a timely basis.

(b) Prior to any disbursement, or the issuance of any commitment documents under this Agreement, to finance construction for Egerton College, the Government will also furnish, in form and substance satisfactory to A.I.D., (i) all relevant contracts with Kenyan architectural and engineering firms, to be financed from other resources than the Assistance, calling for provision of design and other professional services necessary for the Egerton College construction; (ii) final plans, specifications and bid documents for that construction, together with a Work Plan indicating the steps Egerton College will take to monitor this construction.

(c) The above conditions precedent relative to Egerton College are additional to those contained in Section 5.1.(a), 5.2. and 5.3.(a) above.

SECTION 5.5. Additional Conditions - Range Research System Support.

(a) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement for the Range Research component of the Project, the Government shall furnish in form and substance satisfactory to A.I.D., (1) evidence that a functioning Range Research Advisory Committee has been established or shortly will be established and (2) a statement as to what actions the Government will undertake, and pursuant to what schedule, with regard to the report of the American Technical Assistance Corporation (ATAC) dated November 1977, entitled "Agriculture Research in Kenya", specifically the "Summary", pages 1-5 thereof.

(b) The above conditions precedent relative to the Range Research Systems component are additional to those contained in Section 5.1.(a) and 5.2. above.

SECTION 5.6. Additional Conditions - Agricultural Finance Corporation (AFC).

(a) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance assistance to the AFC, the Government will submit, in form and substance satisfactory to A.I.D.:

(1) a comprehensive written report on actions which AFC has undertaken or proposes to undertake with respect to the findings and recommendations of the A.I.D.-sponsored AFC Management Study dated June 1977;

(2) evidence that AFC will undertake or cause to be undertaken a job classification, job appraisal, and salary revision study of its operations;

(3) evidence that AFC has hired, or that it shortly will hire, a qualified administrative officer who will be responsible for consolidating AFC's various administrative functions into a single administrative division and provide the necessary administrative leadership for this division.

(b) The above conditions precedent relative to AFC are additional to those contained in Section 5.1.(a) above.

SECTION 5.7. Notification. When A.I.D. determines that each of the conditions precedent set forth in Sections 5.1.(a) through 5.6. above has been met, it will promptly so notify the Government.

SECTION 5.8. Terminal Dates for Satisfying Conditions Precedent.

(a) If all of the conditions specified in Section 5.1.(a) above, have not been met within ninety days from the date of this Agreement, or such later date as A.I.D. may agree in writing, then A.I.D., at its option, may terminate this Agreement by written notice to the Government.

(b) If either (1) the conditions specified in Sections 5.3., 5.4. (a), 5.5. or 5.6. above have not been met within four months from the date of this Agreement, or such later date as A.I.D. may agree in writing, or

(2) the conditions specified in Section 5.4.(b) above have not been satisfied within fifteen months from the date of this Agreement, or such later date as A.I.D. may agree in writing; then A.I.D., at its option, may in whole or in applicable part cancel the then undisbursed balance of the Assistance, to the extent not irrevocably committed to third parties, and may terminate this Agreement in whole or in applicable part by written notice to the Government. In the event or such termination, the Government will repay immediately the applicable accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate to the extent cancelled, except with respect to any obligations arising out of the expenditure of Grant funds.

ARTICLE 6

Special Covenants

SECTION 6.1. Project Evaluation. The Government will establish, as part of this Project, and with A.I.D. concurrence and participation, an evaluation program to examine the progress made towards the availability of services to the smallholder farmer. In this regard the Government will provide, on a timely basis, required administrative and technical assistance (not financed by A.I.D.) for evaluations of the Project and its impact on the smallholder through the extension service. The agreed upon evaluation program is more particularly described in Annex 1 to this Agreement.

SECTION 6.2. Submission of Plans and Documents - Various Project Components.

(a) The Government will submit to A.I.D. at dates to be specified in Project Implementation Letters, and in form and substance satisfactory to A.I.D., (1) annual training plans for the Ministry of Agriculture and Ministry of Cooperative Development Training Programs to be financed under the Project's Manpower Systems Support component; (2) an annual Egerton College Staff Training and Work Plan, also under the Manpower Systems Support component; and (3) annual Research Plans under the Project's Range Research Systems Support component.

(b) The Government will submit to A.I.D. on a periodic basis, as set forth in Project Implementation Letters, but at least as part of the Egerton College Staff Training and Work Plan referenced in Section 6.2.(a) (2) above, updated statements of the evidence submitted in satisfaction of Section 5.4.(a) above as to Egerton College's plans to meet its staffing needs in the administrative, academic and maintenance categories. Such periodic submissions will deal, at a minimum, with adequacy of staffing levels at such times and with efforts taken and proposed to fill staffing requirements. In addition, the Egerton College Staff Training and Work Plans shall be accompanied by an updated statement of actions taken, and proposed to be taken, pursuant to Section 5.3 (a) above.

(c) The Government will also submit on a periodic basis, as set forth in Project Implementation Letters, but at least annually, updated statements as to (1) the Agricultural Finance Corporation's actions and planning toward implementing the recommendations identified in Section 5.5.(a)(2) above with reference to the submission made in satisfaction of that Section.

SECTION 6.3. Housing. The Government will make available, on a timely basis, adequate housing to A.I.D.-financed technical assistance personnel financed under any and all Project components. In the event such housing is not available on the arrival of such personnel, the Government will take such action as may be agreed to by A.I.D. to provide adequate temporary accommodations until permanent housing is provided.

SECTION 6.4. Egerton College. With regard to Egerton College, and in addition to the documentary requirements identified in Section 6.2. above:

(a) The Government will provide on a timely basis: (1) the requisite sponsorships for additional student positions above the present sponsorship level and (2) funding to meet the recurrent costs, including maintenance of buildings, of Egerton College, by means of a regularized adjustment of the economic fee, a Government subvention, or by such other means as the Government and A.I.D. may agree.

(b) The Government will also advise A.I.D. periodically, at dates to be specified in Project Implementation Letters, but in any event at least annually as part of the Egerton College Staff Training and Work Plan referenced in Section 6.2. above, as to the current status and proposed course of action to provide such funding.

SECTION 6.5. Range Research System Support. With regard to this Project component, and in addition to the documents identified in Section 6.2. above, the Government agrees to provide, on a timely basis, all required research and administrative staff and all necessary financing to support the research at Kiboko.

ARTICLE 7

Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursement pursuant to Section 8.1. below ("Foreign Exchange Costs") will be used exclusively to finance the costs of goods and services required for the Project and meeting the following source and origin requirements, except as A.I.D. may otherwise agree to in writing and except as provided in Annex 3 of this Agreement (Article C. thereof, with respect to Marine Insurance, Motor vehicle procurement, and Grant financed air transportation):

(a) Except for ocean shipping and except as provided in sub-paragraph (b) immediately below, equipment and other goods and services financed under the Loan will have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book in effect at the time orders are placed or contracts entered into for such goods or services.

(b) Ocean shipping financed under the Loan shall be procured from the United States and Kenya. The requirements and limitations for such financing are more fully set forth in Section C.6 of Annex 3 of this Agreement.

(c) Goods and services financed under the Grant will have their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services).

(d) Notwithstanding Article C. of Annex 3 of this Agreement or sub-paragraph (c) above, motor vehicles procured for the Range Research Systems Support component of the Project may have their source and origin in countries included in A.I.D. Geographic Code 935.

SECTION 7.2. Local Currency Costs.

(a) Disbursement pursuant to Section 8.2. below will, with the exception noted immediately below, be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Kenya ("Local Currency Costs").

(b) Construction materials financed under the Loan for the construction of Egerton College will have their source and origin, as defined and limited by A.I.D. in a Project Implementation Letter, in countries included in A.I.D. Geographic Code 935.

ARTICLE 8

Disbursements

SECTION 8.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent contained in Article 5 above relative to particular Project components, or parts thereof as identified in Project Implementation Letters, the Government may obtain disbursements of funds under the Loan or the Grant for the Foreign Exchange costs of goods or services required for each such Project component, or part thereof, in accordance with the terms of the Agreement, by such of the following methods as may be mutually agreed upon: (1) By submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters

(i) requests for reimbursement for such goods or services, or (ii) requests for A.I.D. to procure or finance the procurement of commodities or services on the Government's behalf for the Project; or (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (i) to one or more U.S. banks, acceptable to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (ii) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Government in connection with Letters of Commitment and Letters of Credit incident to the Loan will be financed under the Loan unless the Government instructs A.I.D. to the contrary. Other charges, incident to the Loan, may also be financed under the Loan to the extent that the Parties may so agree.

SECTION 8.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent set forth in Article 5 above relative to particular Project components, or parts thereof as identified in Project Implementation Letters, the Government may obtain disbursement of funds under the Loan or the Grant for Local Currency Costs required for such components or parts thereof in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement hereunder may be obtained: (1) by acquisition by A.I.D. with United States Dollars by purchase; (2) by A.I.D.'s (a) requesting the Government to make available the local currency for such costs, and (b) thereafter making available to the Government through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Government or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Government, which dollars will be utilized for procurement from the United States under procedures to be described in Project Implementation Letters; (3) by such other means as the Parties may agree to in writing. The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of sub-section (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of sub-section (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation memorandum hereunder as of the date of opening or amendment of the applicable Special Letter of Credit.

SECTION 8.3. Other Forms of Disbursement. Disbursements of the Loan or the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 8.4. Rate of Exchange. Except as may be more specifically provided under Section 8.2., if funds provided under the Loan or the Grant are introduced into Kenya by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Government will make such arrangements as may be necessary so that such funds may be converted into currency of Kenya at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Kenya.

SECTION 8.5. Date of Disbursement. Disbursements of the Loan by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Government or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract or purchase order; (b) on the date on which A.I.D. disburses to the Government or its designee local currency acquired in accordance with Section 8.2.(b)(1); or (c) if local currency is obtained in accordance with Section 8.2.(b)(2), on the date on which A.I.D. opens or amends the Special Letter of Credit therein referred to.

ARTICLE 9

Miscellaneous

SECTION 9.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the GOVERNMENT OF KENYA:

Mail Address: Permanent Secretary
Ministry of Finance and Planning
Post Office Box 30007
Nairobi, Kenya

Address for Cables: FINANCE, NAIROBI, KENYA

To A.I.D.:

Mail Address: Director
U.S.A.I.D. Mission to Kenya
Post Office Box 30261
Nairobi, Kenya

Address for Cables: USAID, AMEMBASSY, NAIROBI

All such communications will be in the English language, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this Agreement, the Government will be represented by the individual holding or acting in the office of Permanent Secretary, Ministry of Finance and Planning, and A.I.D. will be represented by the individual holding or acting in the office of the Director, A.I.D. Mission to Kenya. Each of these parties, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1 hereto. The names of the representatives of the Government, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until and unless in receipt of written notice of revocation of their authority.

SECTION 9.3. Standard Provisions Annex. A "Combined Loan and Grant Standard Provisions Annex" (Annex 3)[1] is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Republic of Kenya and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written:

REPUBLIC OF KENYA

By: _____[2]

Title: Minister, Ministry of Finance and Planning

UNITED STATES OF AMERICA

By: _____[3]

Title: The Ambassador

[1] See footnote 1, p. 4.
[2] Mwai Kibaki.
[3] Wilbert J. Le Melle.

AMPLIFIED PROJECT DESCRIPTION

This amplified Project description elaborates on the description provided in Section 2.1. of this Agreement. Except as may be specifically limited in this Annex, elements of the amplified description may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2. without formal amendment of this Agreement, provided that any such change is made within the limits of the definition of the Project as set forth in Section 2.1.

A. THE PROJECT

The Agricultural Systems Support Project (ASSP) consists of the following five main components, each of which is more particularly described below: (1) Agricultural Manpower Systems Support; (2) Range Research System Support; (3) Agricultural Credit System Support; (4) Cooperative System Support; and (5) Storage and Marketing System Support. The Project's overall objective is to contribute significantly toward the Government's goals of greatly enhanced smallholder productivity and (in real terms) per capita income. Assistance furnished under the Project is intended, in furtherance of this overall objective, to address and substantially alleviate the following existing constraints: (1) trained agricultural manpower; (2) smallholder access to agricultural credit institutions, services and infrastructure; and (3) adaptive research.

B. PROJECT COMPONENTS

(1) Agricultural Manpower Systems Support: This component consists of the following:

(a) Egerton College Expansion: The Loan will finance construction, renovation and equipment for the expansion of Egerton College to permit total student enrollment to increase from the current level of 690 to 1,632 by 1985. The construction will be financed through a Government contract following procedures to be specified in a Project Implementation Letter. Funds will be disbursed on a cost reimbursable basis to Government, or by other means acceptable to the Parties.

Equipment for Egerton College and residential furnishings for technical assistance staff will also be financed via a Government contract using the services of the Afro-American Purchasing Center or by other mutually acceptable means.

To enable the Egerton College faculty to expand quickly in line with the phased enrollment increase, the Government will contract (from Project Grant funds) with a U.S. university to provide approximately 91 worker years of technical assistance. The Project Grant will also fund participant training for approximately 43 Egerton Kenyan faculty members

for a total of approximately 138 training years. The training will be financed through the technical assistance contract and managed by the U.S. university.

In connection with the Egerton College program, the Government will finance all architectural, engineering and quantity surveyor costs for both design and construction supervision services at Egerton. The Government will also finance part of the building renovation cost, the construction of sports facilities, the purchase of two vehicles and the provision of all building furnishings. Finally, the Government, through Egerton College, will finance the increased College operating costs and one-way participant training travel to the U.S. for faculty members.

(b) Training Fund: As part of this Project's broad effort to upgrade the Government's agricultural manpower resources, the Grant provides a training fund whereunder, through A.I.D.'s participant procedures or by such other means as the Parties shall agree, approximately 100 participants from the Ministry of Agriculture will receive U.S. training in many areas of agriculture related to Project objectives. The Government, through that Ministry, will finance the one-way travel expenses of participants trained through this training fund. Specific training to be funded will be subject to mutual annual agreement, based on a submission and review of the Work Plans called for pursuant to Section 6.2.(a)(1) of this Agreement.

(c) Studies: From Grant funds, A.I.D. will contract with appropriate U.S. institutions for studies to determine the feasibility of establishing a Coast Agriculture Institute and of expanding the Faculty of Agriculture of the University of Nairobi. These studies will receive counterpart support, office support and in-country transportation from Government. The Coast Agriculture Institute study will call for the development of academic and technical feasibility information leading to preliminary sketch plans and other data relevant to establishment of an institute to have an enrollment of approximately 660 persons, which would offer a two-year program leading to a certificate in agriculture and then, normally, to a position as farmer-contact agent in the Ministry of Agriculture's Extension Service. The Faculty of Agriculture study will develop similar data relevant to possible expansion of that Faculty's student capacity to approximately 805 B.Sc. students to be placed, largely, as technical officers and field administrators with the Extension Service.

(2) Range Research Systems: This Project component will finance (through the Grant) a Government contract providing approximately 31 worker years of technical assistance in specialized areas at the Range Research Station at Kiboko. The Grant will also finance contract consultant services to provide short-term research technical assistance at the same Station. The technical assistance will be provided through a contract with a U.S. university. A total of approximately 57 years of academic

and non-academic training will be provided to upgrade Government's personnel research skills. Participant training will be financed through the university contract with contractor personnel responsible for coordination and management of training activities. The Grant will also finance equipment and commodities.

The Government's contribution will finance the operating expenses of the Kiboko research station, construction of 19 houses and one-way participant travel in support of the U.S. research training.

(3) Agriculture Credit System Support: The Grant will fund a contract for approximately 14 years of long term U.S. technical assistance to upgrade the management skills of the Agriculture Finance Corporation and to provide on-site training skills. Also, the Grant will fund approximately 50 participant years of U.S. academic training, approximately 12 participant years of U.S. non-academic training and an AFC in-country training program to improve the management of agriculture credit resources at all levels within the AFC.

Government, through the AFC, will finance general office support, partial quarters allowance, local travel expenses and professional counterparts for the technical assistance staff. The AFC will also finance one-way participant travel and salary expenses for the U.S. academic and non-academic training plus classroom facilities and participant salary expenses for the in-country training program.

(4) Cooperative System Support: The Grant will fund a contract for approximately 61 worker months of long and short-term U.S. technical assistance to provide advisory training services to the Ministry of Cooperative Development. The Grant will also fund contracts for three studies, namely: (1) an evaluation leading to recommendations for improvements in the Ministry's Cooperative Education and Training System; (2) a study leading to recommendations concerning professional and sub-professional manpower needs in the cooperative sector over the next decade and (3) a review of curriculum and facilities and other aspects of the feasibility of improving and expanding the Cooperative College. These studies will, in general, be intended to generate data on the development needs and constraints of the cooperative systems in Kenya and to recommend corrective action as appropriate. The Government, through the Ministry of Cooperative Development, will provide general office support, field transportation and professional counterparts for the A.I.D.-funded training advisors and for each of the three study teams.

U.S. academic training will be provided over Life of Project for approximately 50 participant (two years each) and U.S. non-academic

training will be provided for approximately 45 participants, for a total of approximately 250 training months (including 10 months of training for board members of the Cooperative Bank of Kenya). Training will be pursuant to A.I.D. participant procedures, except as the Parties shall otherwise agree, and shall be in various selected categories of relevance to the objectives of this Project component. Specific training to be funded will be subject to mutual agreement, based on submission and review of the Work Plan called for pursuant to Section 6.2.(a)(1) of this Agreement. One-way participant travel and participants' salary costs will also be provided by the Government for U.S. academic and non-academic participants.

(5) Food Storage System Support: The Grant will fund a contract for 24 worker months of U.S. technical assistance to prepare a food storage study examining the feasibility of projects aimed at improving on-farm storage and cooperative storage, both for the benefit primarily of smallholders. Grant financing will also be provided for approximately 110 months of U.S. academic training and approximately 15 months of U.S. non-academic training.

The Government will provide office space, in-country transportation and professional counterparts to the technical assistance team conducting the storage study. The Government will also finance one-way air travel for U.S. participant training.

C. PROJECT EVALUATION

The primary importance of the Project's evaluation system, described below, is the development of timely and useful information as to (a) whether Project components are serving the intended objective of effectively reaching the Kenyan smallholder and (b) if not, or if significant improvements are possible in accomplishing this objective, identification of appropriate remedial actions. Details concerning the evaluation system, additional to those set forth below, will from time to time be contained in Project Implementation Letters.

The evaluation system to be followed for this Project shall have three components: (1) annual A.I.D./Government evaluations; (2) individual component evaluations as these may be deemed necessary; and (3) special in-depth evaluations. These evaluations are more particularly described as follows:

(1) The first annual A.I.D./Government evaluation will commence 12 months from the date on which initial conditions precedent to disbursement, set forth in Section 5.1. above are met. This evaluation will focus on the initial phases, performance to date, whether any actions are required to address problems which might arise at a later date, and the progress and results of the feasibility studies being conducted under the Agricultural Manpower, Cooperative System, and Storage and Marketing

components of the Project. These evaluations will be held annually, and the involved Government officials will be invited to participate. As implementation proceeds, the focus of these reviews will shift toward evaluating progress in achieving Project purpose and outputs, recognizing that these purposes and outputs will not wholly be realized until Project conclusion.

(2) Special studies or evaluations of individual components, in greater depth than the annual reviews, will be held as and when a need is determined by A.I.D., in consultation with Government, to exist. These will address special concerns which may arise for any one Project component, as opposed to the broader in-depth comprehensive evaluation discussed below.

(3) There will also be three Project-wide, in-depth evaluations in U.S. fiscal years 1980, 1982 and 1984. These evaluations will focus on linkages between Project components and the ability of all components to impact on the smallholder. In the process of examining the impact on the smallholder, the reviews will include an analysis of the Extension Service, constraints to its effective operation, and actions being taken, being planned, or appropriate in order to overcome constraints. The in-depth evaluations will be preceded, late in U.S. fiscal year FY 1979 or the first quarter of FY 1980, by a baseline survey. In-depth evaluations will cover the Egerton College expansion; Range Research and Credit components; use of training funds for the Ministries of Agriculture and Cooperative Development; technical assistance to cooperatives; and training in the storage category.

All evaluations and studies will be conducted through direct A.I.D. contracts, funded from the Grant, except as the Parties may otherwise agree. The Government will provide office and secretarial requirements, field transportation and professional counterparts to all evaluation and study teams.

FINANCIAL PLAN AND PROCEDURES

The Tables below set forth, by Project component, the contribution to the Project currently contemplated by the Parties. Those Tables are subject to change by the Parties without formal amendment of the Agreement provided that no such changes cause (a) A.I.D.'s Grant or Loan contributions to the Project to exceed the amounts stated with respect to each such contribution as set forth in Section 3.1., or (b) the Government's contribution to the Project to be less than the amount stated thereof in Section 3.2.(b). Changes in the Tables, if any, will be from time to time a subject for mutual discussion and agreement, thereafter to be recorded in Project Implementation Letters.

Disbursement of Project funds consistent with this Agreement will be made pursuant to the procedures set forth in Article 8 above. Project Implementation Letters may elaborate on and revise those procedures from time to time.

TOTAL PROJECT

FUNDING SUMMARY
(In Millions U.S. $)

	LOAN		GRANT		TOTAL	%
	FX	LC	FX	LC		
1. A.I.D.	6.1	17.5	25.9	.2	49.7	73.3
2. GOK	-	5.5	-	12.6	18.1	26.7
	6.1	23.0	25.9	12.8	67.8	100.0

AGRICULTURE MANPOWER SYSTEM

FUNDING SUMMARY
(U.S. $ 000)

	A.I.D.		GOK
	Loan	Grant	
1. Egerton Long-Term TA	-	7,862.4	5,863.7
2. Egerton Capital Investment.....	23,558.0	504.0	5,471.7
3. Egerton Participant Training....	-	2,378.2	43.0
4. Coast Institute Study.....	-	150.0	21.8
5. University of Nairobi Study	-	66.0	10.2
6. MOA Training Fund	-	3,460.0	1,100.0
TOTAL	23,558.0	14,420.6	12,510.4

RANGE RESEARCH SYSTEM

FUNDING SUMMARY
($000)
(All Grant Funded)

		A.I.D.	GOK
1.	Kiboko Long Term Technical Assistance	3,152.7	3,988.5
2.	Kiboko Short Term TA	608.4	-
3.	Research Commodity & Services Procurement	346.0	-
4.	Academic Participant Training	925.2	18.0
5.	Non-Academic Participant Training	109.8	18.0
	TOTAL	5,142.1	4,024.5

AGRICULTURE CREDIT SYSTEM

FUNDING SUMMARY
($000)
(All Grant Funded)

1.	AFC Long Term TA	1,276.8	206.1
2.	AFC Academic Training	865.0	275.0
3.	AFC Non-Academic Training	395.2	88.0
4.	AFC in-country Training	130.2	306.5
	TOTAL	2,667.2	875.6

COOPERATIVE SYSTEM

FUNDING SUMMARY
($000)
(All Grant Funded)

1.	Cooperative Training Advisory Service	509.7	52.8
2.	Cooperative Education and Trg. Evaluation	28.0	2.6
3.	Cooperative Manpower Study	21.8	2.6
4.	Cooperative Academic Training	1,730.0	300.0
5.	Cooperative Non-Academic Training	682.5	212.0
6.	Cooperative College Feasibility Study	45.0	3.4
	TOTAL	3,017.0	573.4

STORAGE AND MARKETING SYSTEM

FUNDING SUMMARY

($000)

(All Grant Funded)

		A.I.D.	GOK
1.	Storage Academic Training	172.0	7.0
2.	Storage Non-Academic Training	43.3	5.0
3.	National Grain Storage Study	204.0	39.0
	TOTAL	419.3	51.0

PROJECT EVALUATION SYSTEM

FUNDING SUMMARY

($000)

(All Grant Funded)

	A.I.D.	GOK
27 Consultant months plus 10 consultant months for component-specific evaluations	465	61.3

COMPONENT FUNDING SUMMARY

($000)

		A.I.D.	GOK	TOTAL
1.	Agriculture Manpower System	37,978.6	12,510.4	50,489.0
2.	Research System	5,142.1	4,024.5	9,166.6
3.	Agriculture Credit System	2,667.2	875.6	3,542.8
4.	Cooperative System	3,017.0	573.4	3,590.4
5.	Storage And Marketing System	419.3	51.0	470.3
6.	Evaluation	465.0	61.3	526.3
	TOTAL	49,689.2	18,096.2	67,785.4

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